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Macroeconomic policy questions: specific actions related to the particular needs and problems of landlocked developing countries

Transit environment in the landlocked States in Central Asia and their transit developing neighbours

Note by the Secretary-General**

The Secretary-General has the honour to submit to the General Assembly, as requested in its resolution 55/181 of 20 December 2000, the report prepared by the Secretary-General of the United Nations Conference on Trade and Development on the transit environment in the landlocked States in Central Asia and their transit developing neighbours.

* A/58/150.

** The present report was submitted late owing to the heavy workload in connection with the preparations for the international ministerial meeting on transit transport cooperation.

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Summary

The transit environment in the landlocked States in Central Asia and their transit neighbours is characterized by inadequate infrastructure and several forms of non-physical bottlenecks. To some extent, the density of the existing road and rail networks is sufficient to meet the region's transit transport needs. However, the quality of that infrastructure is inadequate primarily owing to lack of maintenance. Inadequacy of bogie change facilities at border points between the landlocked States and their non-Commonwealth of Independent States neighbours and insufficient cooperation between national railway companies increase bottlenecks on some rail corridors. Capacity is also reduced by the age and poor quality of the rolling stock for both road and rail transport. The density of the pipeline network is inadequate. Pipeline links, notably to the Islamic Republic of Iran, China, the Caucasus and Turkey, are needed. Likewise, trans-Caspian waterway links to the Caucasus need improvement. The efficiency of the transit environment is also hindered by non-physical bottlenecks relating essentially to complicated border-crossing and administrative procedures, which vary from one country to another. Many initiatives are under way to improve the transit environment in the region. They include continued efforts by the landlocked States and their transit neighbours to improve the infrastructure and reduce non-physical barriers to transit transport through national laws and increased regional and international cooperation. The initiatives under way need to be complemented by new actions, including further harmonization and simplification of transit procedures and documentation, increased use of information technology to speed up border-crossing procedures, increased efforts to reduce barriers to trade and transit transport, measures to strengthen regional cooperation and policies to promote the private sector.

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I. Background

1. In its resolution 55/181 of 20 December 2000, the General Assembly took note of the report prepared by the secretariat of the United Nations Conference on Trade and Development (UNCTAD) on the transit environment in the landlocked States in Central Asia and their transit developing neighbours and considered that the problems of transit transport facing the Central Asian region need to be seen against the backdrop of increased trade and capital flows and advancement in technology in the region.

2. The General Assembly recognized that, to be effective, a transit transport strategy for the region should incorporate actions that address both the problems inherent in the use of existing transit routes and those associated with the early development and smooth functioning of new alternative routes. It welcomed in that context the further cooperation of landlocked States with all interested countries and emphasized the importance of strengthening international support measures to address further the problems of the newly independent and developing landlocked States in Central Asia and their transit developing neighbours.

3. The Assembly invited the Secretary-General of UNCTAD and the Governments concerned, in cooperation with the United Nations Development Programme (UNDP), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Europe (ECE) and relevant regional and international organizations and in accordance with approved programme priorities and within existing financial resources, to continue to elaborate a programme for improving the efficiency of the current transit environment in the newly independent and developing landlocked States in Central Asia and their transit developing neighbours.

4. The Assembly also invited UNCTAD, in close cooperation with the regional commissions within their respective mandates and current resources, as well as with other relevant international organizations, to provide technical assistance and advisory services to the newly independent landlocked States in Central Asia and their transit developing neighbours, taking into account the relevant transit transport agreements.

5. Furthermore, the General Assembly requested the Secretary-General of UNCTAD, in close cooperation with the regional commissions, to prepare a report on the implementation of resolution 55/181, to be submitted to the Assembly at its fifty-eighth session.

II. Economic situation

6. The Central Asian landlocked developing countries cover an area of 4 million square kilometres and have a total population of 57 million inhabitants. In 2000, the five countries had a total gross domestic product (GDP) of $32,595 million, of which Kazakhstan accounted for 55.9 per cent. Output is fairly well distributed between the major economic sectors. However, the share of agriculture in GDP is declining, while that of the service sector is on the rise.

7. The region is geographically diverse and rich in mineral resources. However, adequate development of those resources is hindered in part by high transport costs

because the countries are landlocked. Any successful development strategy for the region has to place a priority on improving the transit environment. Such a strategy should be broad and must include actions aiming to achieve effective regional integration and enhance international cooperation. Sustained economic growth in the region also requires continued structural reforms and appropriate macroeconomic management.

A. Macroeconomic performance

8. Central Asia is a region with great potential. However, income levels are currently low. GDP per capita is lower in all five landlocked States than the average of developing countries.

Table 1
Basic indicators of the Central Asian landlocked developing countries

	Land area (Thousands of km²)	*Population in 2000 (Millions)*	*GDP (Millions of United States dollars)*		*GDP Index, 2000 (1990=100)*	*GDP per capita in 2000*
			1990	*2000*		
Kazakhstan	2 717.3	16.2	40 304	18 230	45.2	1 127
Kyrgyzstan	198.5	4.9	2 951	1 304	44.2	265
Tajikistan	143.1	6.1	4 339	991	22.8	163
Turkmenistan	488.1	4.7	8 129	4 404	54.2	930
Uzbekistan	457.4	24.9	23 673	7 666	32.4	308

Sources: UNCTAD, *UNCTAD Handbook of Statistics 2002*; World Bank, *World Development Indicators 2002*.

Table 2
Sectoral distribution of output

	Rural population as percentage of total population		*Sectoral distribution of GDP (Percentage)*							
			Agriculture		*Industry*		*Manufacturing*		*Service*	
	1990	*2000*	*1990*	*2000*	*1990*	*2000*	*1990*	*2000*	*1990*	*2000*
Kazakhstan	46	44	27	9	45	43	9	18	29	48
Kyrgyzstan	62	67	34	39	36	26	28	6	30	34
Tajikistan	66	73	33	19	38	26	25	23	29	55
Turkmenistan	53	55	32	27	30	50	-	40	38	23
Uzbekistan	59	63	33	35	33	23	-	10	34	42

Sources: UNCTAD, *UNCTAD Handbook of Statistics 2002*; World Bank, *World Development Indicators 2002*.

9. Recent trends in key indicators suggest that the region continues to recover from the economic recession it experienced in the 1990s. The average annual growth rate of GDP was 20 per cent in Turkmenistan, 11 per cent in Kazakhstan and 9 per cent in Tajikistan from 2000 to 2002. Performance was more modest in Kyrgyzstan and Uzbekistan (table 3).

Table 3
Growth rates

	Annual percentage change in real GDP		
	2000	*2001*	*2002*
Kazakhstan	9.8	13.5	9.5
Kyrgyzstan	5.4	5.3	0.5
Tajikistan	8.3	10.2	9.1
Turkmenistan	17.6	20.5	21.2
Uzbekistan	4.0	4.5	4.2

Source: ECE, Project LINK Forecast Tables, April 2003.

10. Despite that encouraging performance, output was far below its level in 1990. GDP declined by 57 per cent in the region as a whole from 1990 to 2000. Tajikistan, which was hit the hardest by the recession, lost 77 per cent of its output during that period. Good performance is forecast for the next few years. However, moderately high inflation, unstable current account balances (except in Uzbekistan), government budget deficits (especially in Kyrgyzstan) and public debt[1] constitute risks to sustained growth.

B. International trade and integration into the global economy

11. The economies of the region have achieved a relatively high degree of openness. In 2000, the ratio of total trade to GDP varied from 81 per cent in Uzbekistan to 147 per cent in Tajikistan. The region's average was 38 per cent higher than that of developing countries. The international trade sector generally outperformed the rest of the economy in the 1990s. For the region as a whole, exports grew by an average annual rate of 9 per cent from 1995 to 2000. Performance could be better if transport costs were lower. High transport costs reduce the competitiveness of landlocked developing countries. In particular, they have caused the Central Asian landlocked developing countries to lose to Turkey part of their traditional agricultural produce market in Russia.[2]

12. While imports are fairly diversified, exports are dominated by a few products. In 2000, oil accounted for 81 per cent and 53 per cent of export revenue in Turkmenistan and Kazakhstan, respectively. Lack of diversification makes export earnings and overall economic performance sensitive to variations in the price of that commodity. In fact, the strong growth the two countries have enjoyed over the last few years was due in part to increases in the price of oil.

13. The Russian Federation is the most important trading partner of the Central Asian landlocked developing countries. It accounted for about 33 per cent of those countries' trade in 2000. But the situation is evolving. The share of Russia in the region's trade had followed a downward trend in the 1990s, while those of Western European countries, Turkey, the Islamic Republic of Iran and China had followed an upward trend.

14. The Central Asian landlocked developing countries are also making progress with regard to other aspects of integration into the global economy. The region

receives significant inflows of financial resources in the form of foreign direct investment and official development assistance. In 2000, the ratio of foreign direct investment to GDP was 4.6 per cent, which was 24 per cent higher than the average in developing countries. Kazakhstan was the favourite destination of the foreign direct investment flows, with 85 per cent of the region's total, representing 7 per cent of its GDP. Endowment in natural resources and openness to trade are factors that attract foreign investment. In Kazakhstan, more than 80 per cent of foreign direct investment inflows are intended for the oil industry. However, the fact of being landlocked and the instability in some areas in the region have kept the Central Asian landlocked developing countries below their potential capacity to attract foreign direct investment.

15. Foreign direct investment flows into the Central Asian landlocked developing countries declined by 39.5 per cent from 1997 to 2000. Part of the decline was due to the fact that some pipeline projects that had been planned to start at the end of the 1990s had been put on hold. The trend seems to have been reversed in 2001, when foreign direct investment inflows rose by more than 100 per cent.

16. Official development assistance increased in the region by 45 per cent from 1995 to 2000. In 2000, official development assistance per capita averaged $14 in the Central Asian landlocked developing countries, which was 50 per cent higher than the developing countries' average. Nonetheless, official development assistance inflows to the region are inadequate in regard to the needs of those countries. Being landlocked, the Central Asian landlocked developing countries are in greater need of assistance than countries of comparable income level that have access to the sea. Moreover, they are newly independent countries that need assistance to establish the bases of their socio-economic development.

III. Transit environment in Central Asia

A. Overview

17. The transit systems serving the Central Asian landlocked developing countries are a matter of interest to countries from China to Turkey and the Caucasus, and from Russia and other European countries to the Islamic Republic of Iran, Afghanistan and Pakistan. The region has a mix of European, Commonwealth of Independent States (CIS) and Asian systems. The Russian Federation is the principal transit country for the Central Asian landlocked developing countries. However, the region's transit trade is expanding southward towards the Islamic Republic of Iran, Afghanistan and Pakistan, eastward towards China, and westward towards Turkey and the Black Sea region.

18. The transit environment in the region is helped by the economic recovery in the landlocked States and the region's resolve to open up to international trade. China's recent accession to the World Trade Organization (WTO) has positive effects on the regional trade and the transit environment. However, there are also factors that undermine the transit environment in the region. In particular, the instability in Afghanistan denies transit options to the south.

19. The Central Asian landlocked developing countries are trying to improve the transit environment, notably by improving their transport and communications

infrastructures and the legal, institutional and administrative frameworks of their transit systems and by intensifying regional cooperation. The five countries and some of their transit neighbours are members of an increasing number of regional integration arrangements that include CIS and the Economic Cooperation Organization (ECO). They also participate in regional transport programmes such as Transport Corridor Europe Caucasus Asia (TRACECA)[3] and the United Nations Special Programme for the Economies of Central Asia (SPECA).[4]

20. The transit environment is also favoured by positive cooperation between the landlocked developing countries and their transit neighbours. China, which has a 3,300-kilometre border with the Central Asian landlocked developing countries, increased its share in those countries' trade from 2.4 per cent in 1995 to 4.7 per cent in 2000. China has been making efforts to intensify trade with the region, primarily with Kazakhstan, Kyrgyzstan and Uzbekistan. In particular, it is interested in buying crude oil from Kazakhstan, with which it signed an agreement in 1998, allowing a Chinese company to participate in the development of oil resources in western Kazakhstan. China stands to benefit from improvement in the transit environment in the region because it can use the landlocked developing countries as transit countries for trade with CIS countries, Turkey and Europe.

21. *Afghanistan and Pakistan*. When the situation stabilizes in Afghanistan, transit routes through Afghanistan and Pakistan can be reopened. Then, Karachi can play a greater role as a transit port for the Central Asian landlocked developing countries. Pakistan's link to the region will be consolidated when the project to build a gas pipeline from Turkmenistan to Pakistan is implemented.

22. *Turkey*. Turkey accounts for about 4 per cent of the total trade of the Central Asian landlocked developing countries. It is actively contributing to the development of transport infrastructure in the region. Notably, it is a stakeholder in the United States-led Baku-Tbilisi-Djeikahan pipeline project. Turkey, which is planning to join the European Union, can strengthen its position by increasing trade with the Central Asian landlocked developing countries and become the Union's principal link to the region.

23. *Islamic Republic of Iran*. Trade between the Islamic Republic of Iran and the Central Asian landlocked developing countries is weak but growing fast. Its share in the landlocked States' trade is currently about 3 per cent. Turkmenistan is its principal trading partner among those States. The Islamic Republic of Iran is also intensifying cooperation with all countries in the Caspian region, which has a positive impact on the transit environment.

B. Transit infrastructure

24. In previous reports, the Secretary-General gave a detailed description of the existing transit transport routes and pipelines that serve the Central Asian landlocked States, as well as a list of projects and programmes aiming to improve the transit environment in the region. Although most of the projects and programmes are being implemented, no major change has occurred in the transport infrastructure.

25. Currently, the transit systems serving the Central Asian landlocked developing countries are dominated by Russian ports and corridors through the Russian Federation, the so-called northern corridors. Other corridors, notably the western

and southern corridors, are gradually gaining strength. The coordination of regional and intraregional road and rail networks is ensured by international organizations, including ECE, ESCAP and ECO.

1. Port facilities

26. Adequate port facilities with modern technology and equipment are available in the transit countries, which are primarily Russia, Turkey and the Islamic Republic of Iran. Some of the ports have been undergoing extension and upgrading since 1996.

2. Road infrastructure

27. The main transport routes are corridors between Central Asia and

- Countries in Europe via the northern route through Kazakhstan, the Russian Federation, Belarus, Poland and Germany
- Countries in Europe via the southern route through the Islamic Republic of Iran, Turkey and the Balkans
- Iranian seaports in the Persian Gulf and Turkish ports in the Mediterranean.

28. The density of the existing road networks in the Central Asian landlocked developing countries and most of their transit developing neighbours is sufficient to meet the basic transit traffic needs of the region. Nonetheless, intensification of the networks is necessary to reduce bottlenecks. In particular, links to China, the Islamic Republic of Iran and Turkey should be increased.

29. In general, the quality of the existing infrastructure is not adequate, despite efforts to comply with international standards. In many cases, the roads are narrower than recommended by international agreements, or are not properly built, or lack maintenance. In addition, a good number of bridges on those roads are in poor condition. Nearly one out of 10 bridges in Kazakhstan needs urgent repair. Furthermore, most of the roads are not adequately equipped with road signals, as required by international conventions. Finally, the stock of vehicles is old and lacks maintenance. Most of the vehicles do not comply with international regulations.

3. Rail infrastructure

30. The rail network includes routes between Central Asia and

- Russian and Chinese Pacific ports for container cargo
- Turkish and European Mediterranean ports through Kazakhstan for container cargo
- The Russian Black Sea port of Novorossiysk for container cargo
- Seaport and markets in the European countries via TRACECA routes for container and bulk cargo
- Europe through Turkey, Bulgaria, Ukraine, the Russian Federation and Kazakhstan for import by traditional rail shipments
- Baltic ports through Kazakhstan, the Russian Federation and the Baltic States for container and bulk cargo.

31. Three fundamental problems are encountered in the rail transport sector. First, the rail infrastructure needs repair and upgrading on most of the corridors. Secondly, the rail gauge is not the same in the landlocked States as in their non-CIS transit neighbours. Transport between CIS and non-CIS countries requires bogie changes and transshipments. Such operations take up to four hours to be completed. Lastly, the rolling stock is old. As a result, container trains cannot exceed the speed of 36 kilometres per hour on some corridors.

4. Pipelines

32. Pipelines are clearly in inadequate supply, which limits the export and production capacity of the two oil-rich countries, Kazakhstan and Turkmenistan. All available pipelines, with the exception of the Baku-Tbilisi-Batumi pipeline, go through the Russian Federation. There are several projects to build new pipelines, as was indicated by the Secretary-General in previous reports. But many of those projects are still waiting to be implemented.

5. Waterways

33. The ferry systems on the Caspian Sea from Kazakhstan and Turkmenistan to the Caucasus region are quantitatively and qualitatively inadequate. Bad infrastructure and poor management make the ferry systems less competitive than rail or road transport. Nonetheless, transport on trans-Caspian routes has great potential in the long run. Black Sea ports are the closest to most parts of the Central Asian landlocked developing countries. Links to such ports should be developed.

C. Transit transport issues

1. Basic legal instruments for international consignment

34. International conventions provide the basic legal instruments for international consignment in conjunction with national laws. International road transport is generally regulated in the Central Asian region by the Convention on the Contract for the International Carriage of Goods by Road, to which most countries in the region have acceded. Rail transport is regulated by two conventions, the International Consignment Note for Rail Transport under the Convention Concerning International Carriage by Rail and the Agreement on International Carriage of Goods by Rail of the Organization of Railways Cooperation. The latter agreement is applied in CIS countries, the Islamic Republic of Iran and China. The International Consignment Note for Rail Transport is applied in Turkey, the Islamic Republic of Iran and European countries. At border points between countries where different instruments are applied, the waybill is reproduced from one format into the other.

2. Institutional and human resource development

35. Border facilities are inadequate and are not equipped to deal with current transit transport needs. Joint customs facilities are recommended to facilitate customs control procedures. However, such facilities do not exist in the region except at some border points between the Islamic Republic of Iran and Pakistan. Border posts are sometimes separated by as much as 2 kilometres. Similarly, most countries do not use the UNCTAD Automated System of Customs Data

Management (ASYCUDA). Only Armenia, Georgia and the Islamic Republic of Iran have installed the system.

36. Border-crossing formalities are very complicated and often include multiple inspections through several layers of barriers. Sometimes the procedures take days to be completed in CIS countries. In the case of road transport, customs convoy operations in Russian territory can cost three to four days' waiting time for trucks. Likewise, visa regulations for Turkmenistan require five to 12 days. The situation is about the same for rail transport where border-crossing formalities take days to be completed (compared to 30 minutes in the European Union), although a TRACECA study indicates that a maximum of 120 minutes is needed for such procedures.

37. Customs documents are complicated and not harmonized, while border-crossing procedures vary from one country to another. Although most of the Central Asian landlocked developing countries and their transit neighbours participate in various regional integration arrangements, free movement of persons and goods has not been achieved and the border-crossing procedures now applied do not meet the countries' obligations pertaining to those arrangements.

3. High transport costs

38. Transport costs are generally three times higher in landlocked developing countries than in developed countries. They exceed 50 per cent of the value of imported merchandise in the Central Asian landlocked developing countries. An important part of those costs is due to border-crossing formalities and transit fees, which vary considerably from one country to another. Countries with high average transit fees per kilometre travelled include Tajikistan ($1.30), Georgia ($0.86), Uzbekistan ($0.70) and Turkmenistan ($0.61). Azerbaijan, the Islamic Republic of Iran and Turkey charge no formal transit fees. In addition to official fees, there are informal payments both at the borders and along the corridors. According to some studies, unofficial fees paid by a trucker between Kyrgyzstan and Siberia can exceed $1,500.[5] Those multiple fees inflate transport costs and undermine the efficiency of transit transport.

39. Other cost drivers can be linked to time loss at the borders. Waiting time could be reduced if information technology was used. The lack of proper organization also leads to costs that could be avoided. For example, generally export goods are transported by rail, whereas imported manufactured goods are transported by road. That distribution of the freight results in empty backhauls, which is inefficient. Another consequence of the sector's poor organization is the absence of transporters' associations through which transport operators can protect themselves against illegal practices, such as corruption and rent-seeking. The latter remain serious problems that plague the functioning of most administrative bodies in the region, including those relating to the transit transport sector.[6]

4. Political instability and conflicts

40. The Central Asian region has not been free of conflicts for the past three decades. Major areas of conflict have included Tajikistan, Afghanistan and the Caucasus region. There are also minor disputes among the landlocked States. Nonetheless, the situation is improving, in particular in Afghanistan. The stabilization of the situation in that country is generating hope that regional projects, including the Turkmenistan-Pakistan gas pipeline project, will be implemented.

5. Insurance

41. There is no regional insurance scheme applied by all Central Asian States, although the idea of introducing a scheme similar to the European Green Card system has received some support. Lack of regional insurance complicates transit procedures and increases costs. For instance, trucks travelling through Kazakhstan must buy local insurance even if they are covered by other insurance schemes. That practice forces transporters to buy insurance in all the countries through which they transit.

IV. Measures under way to improve the transit environment in Central Asia

42. The landlocked States and their transit neighbours continue to make efforts to reduce physical and non-physical barriers to transit transport by taking various initiatives at the national and international levels and by showing their commitment to regional cooperation. Such efforts are supported by the international community, which has initiated several programmes with a view to increasing the efficiency of transit transport in the region.

A. Measures to improve the transit infrastructure

1. In the landlocked States

43. A relatively large number of projects are under way in the landlocked States to improve the transport infrastructure networks.

44. In 2000 Kazakhstan launched a national transport network development programme for the period 2001-2008 that includes construction of new infrastructure sections and rehabilitation and upgrading of existing ones. With regard to road transport, the following corridors have been put on the priority list for rehabilitation works: Tashkent-Almaty-Khorgos; Almaty-Akmola; and Aralsk-Actiubinsk-Uralsk. The programme also includes rehabilitation and upgrading of road networks across western Kazakhstan in connection with mineral exploration and development projects. Finally, the programme includes a project to rebuild the port of Aktau on the Caspian Sea, for which an agreement for financing has been reached with the European Bank for Reconstruction and Development (EBRD).

45. In Kyrgyzstan, a project, financed in part by the European Union, to build an international railroad to link Uzbekistan and Kazakhstan to China via Kyrgyzstan is under way. However, the Government is giving increased support to road transport, which accounts for 80 per cent of the total volume of transport of persons and goods in the country. Priority is given to development of a road network to connect Kyrgyzstan to Kazakhstan, Tajikistan, Uzbekistan and China. Part of that network is included in the ECO cooperation programme for the period 1998-2007.

46. In Tajikistan, a project to link Tajikistan and China by road was initiated in March 2000 with a loan from the Islamic Development Bank (IDB). In addition, the Government has carried out feasibility studies for projects to rehabilitate and upgrade existing roads. The Government has reached agreements with donors, including the Asian Development Bank (ADB) and IDB, for the financing of some

of those projects. Rehabilitation works have already begun on the Bishkek-Osh road with a credit from the above-mentioned donors.

2. In the transit neighbours

47. Infrastructure-building, rehabilitation and upgrading works are ongoing in the major transit neighbours of the Central Asian landlocked States. In Turkey, where 10 major ports already meet current domestic and transit needs, a project is under way to build a new port of a capacity of 700,000 Twenty-feet Equivalent Units (TEU) on the Marmara coast and a container terminal of a capacity of 1 million TEU at Derince. Turkey is also participating in a Turkish-Georgian railway project to connect Turkey to TRACECA routes in the Black Sea region.

48. The Islamic Republic of Iran is undertaking programmes to increase the handling capacity and the efficiency of its ports and to intensify its transport infrastructure networks. Such programmes include the building of the Bafq-Mashhad railroad with a view to reducing the length of the Mashhad-Bandar e Abbas corridor by 820 kilometres.

49. From a geopolitical perspective, the most important development in the region is the gradual return of stability in Afghanistan, which is well appreciated by the regional transit business community. But the country's transport infrastructure, which has been damaged by decades of civil strife, needs to be rehabilitated. The resumption of cooperation with donors is proving helpful in that regard. New agreements with donors include the $108 million loan the World Bank has recently approved to help Afghanistan improve its transport infrastructure.

3. The donor community

50. The donor community is involved in transport infrastructure development in the Central Asian region through direct assistance to the landlocked States and their transit neighbours and through such regional programmes as TRACECA. Active donors include the World Bank, ADB, EBRD, IDB and the United Nations system. Donor assistance has played a decisive role in the development of the east-west and north-south corridors. Many of the donor-supported projects regarding those networks, which started in the late 1990s, are still under way.

B. Measures to overcome non-physical bottlenecks

51. Measures to overcome non-physical bottlenecks include essentially: (i) progress towards implementation of international conventions, regional cooperation agreements and national regulations; and (ii) cooperation projects of the donor community.

1. International conventions, regional, multilateral and bilateral agreements and national regulations

(a) International conventions

52. The newly independent States of Central Asia have been encouraged to accede to international conventions on transport. In particular, in its resolution 48/11 of 23 April 1992 on "Road and rail transport modes in relation to facilitation measures",

ESCAP recommended that all its member States accede to the seven conventions listed in table 4 below. As is shown in the table, the landlocked States and their transit neighbours have made progress with respect to accession to some of those conventions. However, the number of conventions ratified is still modest and the implementation process is slow.

Table 4
Status of accession of countries of the region to international conventions on road transport listed in ESCAP resolution 48/11, as of October 2002

Country	*Convention on Road Traffic (1968)*	*Convention on Road Signs and Signals (1968)*	*Customs Convention on the International Transport of Goods under Cover of TIR Carnets (1975)*	*Customs Convention on the Temporary Importation of Commercial Road Vehicles (1956)*	*Customs Convention on Containers (1972)*	*International Convention on the Harmonization of Frontier Control of Goods (1982)*	*Convention on the Contract for the International Carriage of Goods by Road (CMR) (1956)*
Afghanistan			X	X			
Armenia			R			R	
Azerbaijan	R		R	R		R	
China					X		
Georgia	R	R	R		R	R	R
Islamic Republic of Iran	X	X	X				R
Kazakhstan	R	R	R				R
Kyrgyzstan			R	R		R	R
Pakistan	X	X					
Russia	X	X	X		X	X	X
Tajikistan	R	R	R				R
Turkey			X		X		R
Turkmenistan	R	R	R				R
Uzbekistan	R	R	R	R	R	R	R

Legend: X = acceded; R = acceded after adoption of ESCAP resolution 48/11.
Source: Martin Lentsch and Hirohoto Toda. *Transit Transport issues of Landlocked and Transit Developing Countries: The Case Study of Kazakhstan and Uzbekistan*, ESCAP, 2003.

(b) Subregional cooperation agreements

53. The Central Asian landlocked developing countries and their transit neighbours have committed themselves to several regional cooperation agreements, often within the framework of regional integration arrangements, such as ECO, or regional development programmes, such as TRACECA and SPECA. The agreements relate essentially to harmonization of legal and customs documents and border-crossing procedures.

54. As to harmonization of border-crossing procedures, some progress is being made with the assistance of ECO and ADB and through TRACECA, notably on the Almaty-Bishkek road. But the progress is very slow and needs greater political commitment and further groundwork. TRACECA and ECO are doing groundwork for the introduction of joint customs facilities to streamline customs control

procedures by eliminating double inspections and to establish some atmosphere of trust between customs officers from each side of the relevant borders.

55. An ECO inter-ministerial committee is being set up to help simplify border-crossing procedures and promote international transport. In that regard, an international passenger traffic line was opened in 2001 and will soon be operational between Almaty, Tashkent, Turkmenabad, Tehran and Istanbul. Member countries of ECO have also signed a protocol to launch a demonstration bloc container train along the Almaty-Tehran segment of the Trans-Asian Railway. In addition, efforts are being made to harmonize transport fares and rates on the Druzhba-Almaty-Tashkent-Turkmenabad-Tehran-Istanbul-Kapikule rail corridor.

56. Progress towards the development of a common ECO insurance scheme for passengers, vehicles and cargo is slow. In Kyrgyzstan, however, the Government has recently been considering joining the Green Card system that is applied in Europe.

(c) Bilateral agreements

57. Bilateral agreements are signed not only between countries having common borders, but also between countries that are linked by any transit trade relation. Notably, those agreements include conditions on distribution of permits to national transport operators, and entry and transit conditions. Kazakhstan, for example, has signed more than 40 bilateral agreements with countries of the region and countries as far as the Netherlands. In 2002, Kazakhstan and the Russian Federation signed a bilateral agreement of a particular nature. It was an agreement on the delimitation of the northern sections of the Caspian Sea bed with the objective of allowing the two countries to establish sovereignty rights over the water body for the development of energy resources. Such an agreement has implications for navigation on the Caspian Sea and for trans-Caspian pipeline projects.

(d) National regulations

58. The central Asian landlocked developing countries and their transit neighbours are introducing various national laws to regulate transit transport in their territories, taking into account international agreements and conventions. For example, Kazakhstan introduced a new law in January 2002 that has modified existing regulations on transport. It regulates entry, exit and transit for foreign trucks and public transport vehicles. Similarly, a new law stemming from decrees issued from 1999 to 2002 has been introduced in Uzbekistan to regulate entry and transit fees for vehicles from foreign countries.

2. Technical assistance and advisory services

(a) Technical assistance

59. The United Nations system provides the basic framework for regional cooperation. During the past few years, United Nations cooperation with the Central Asian countries has focused on infrastructure and institutional development. With regard to infrastructure development, ECE has been working on the extension of the "E" transport infrastructure networks to the Caucasus and Central Asia. The extension of the "E" road network was completed since the amendments to annex 1 to the European Agreement on Main International Traffic Arteries entered into force in December 2001. A new map showing the network's extension was circulated in

2002. Work continues on the standards and parameters to which those roads should conform and on road signalling issues. The extension of the "E" rail network was also completed in January 2002. Similarly, ESCAP is currently coordinating efforts to draft an intergovernmental agreement on the Asian Highway network.

60. In the area of institutional development, SPECA has established a working group, the Regional Advisory Committee, with the objectives of: (i) helping simplify custom documents and develop simpler border-crossing procedures; and (ii) facilitating accession to international conventions. The UNDP and ESCAP-initiated Silk Route Area Programme also continues, with activities aiming at facilitating border-crossing.

(b) Advisory services

61. The donor community also provides advisory services in the form of studies, conferences and workshops. UNCTAD is currently helping ECO carry out a study on the promotion of multi-modal transport in the region in collaboration with ESCAP and IDB. The United Nations system also organizes expert meetings on landlocked and transit developing countries. The system is in the process of convening the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, in Almaty, in August 2003.

V. New actions needed to complement the measures under way to improve the transit environment

62. **The most important factors that undermine the transit environment in the newly independent States in Central Asia include inadequate capacity, impediments to trade and transport and inadequate regional cooperation. While the first factor can be linked to the difficult economic situation the countries are experiencing, the second and third factors can be remedied by increased political will.**

A. Capacity improvement

63. **The Governments should be encouraged to continue and intensify efforts to build, rehabilitate or upgrade the transit infrastructure. Particular emphasis should be put on development of trans-Caspian routes.**

64. **As to road transport, border facilities should be improved and better equipped. Use of joint border facilities should be encouraged. Similarly, use of information technology at the border control points will facilitate the flow of information and reduce waiting time. That effort requires that border facilities be equipped with computers capable of running information management systems such as the UNCTAD Automated System of Customs Data Management. Customs officers need more training not only to deal with the new transit transport issues, but also to run the relevant information management systems. ASYCUDA has been proposed to the countries of the region, but has been little used so far. UNCTAD can conduct studies to assess**

the situation. On the basis of the results of such studies, UNCTAD can provide, possibly in cooperation with UNDP and other donors, training and technical assistance on the information management systems to be installed.

65. Rail transport is losing its competitive edge to road transport in part because of deteriorating infrastructure, old rolling stock and poor bogie change facilities. All those issues should be addressed. However, priority should be given to improving bogie change facilities.

B. Removal of impediments to international trade

66. Barriers to transit transport are an obstacle to international trade and should be dealt with vigorously. Some countries in the region have acceded to WTO, which favours trade liberalization and removal of barriers to trade. However, progress is slow. Various types of barriers impede the expansion of regional trade. National laws that restrict the flow of transit trade are a major barrier to trade. The same is true of bilateral agreements that restrict competition at the regional level, such as the ones relating to distribution of permit quotas to national transport operators. Likewise, poor logistic organization, inadequate information and prevalence of illicit practices such as rent-seeking and corruption contribute to higher costs. Nonetheless, part of such costs can be reduced by trade facilitation and trade liberalization. In that regard, technical assistance on trade facilitation from UNCTAD and other donors would be helpful.

C. Strengthening regional cooperation in Central Asia

67. The newly independent States of Central Asia have acceded to a relatively large number of intergovernmental organizations of various sizes aiming at various levels and scopes of integration. However, the actual level of cooperation between the countries of the region is not adequate. It is even apparent that the level of cooperation is not always as good among the landlocked States as between the latter and their transit neighbours.

68. Progress in regional integration can only benefit the transit environment. Such issues as, inter alia, border-crossing procedures and the harmonization of transit documents, can find easier solutions if protocols and agreements pertaining to broadly defined regional integration programmes are implemented. The higher the level of regional integration, the weaker the effect of being landlocked. While Austria, Luxembourg and Switzerland are also landlocked countries, they have achieved a high level of external trade performance and prosperity largely owing to the high level of regional integration and cooperation in Europe.

69. The Central Asian landlocked developing countries and their transit neighbours should be encouraged to make greater efforts towards regional integration so as to facilitate implementation of regional agreements. However, given the relative plethora of intergovernmental organizations in the region, there is confusion as to the role of each organization in the integration process. Efforts to coordinate the actions of the various intergovernmental organizations should continue. Moreover, UNCTAD, UNDP and other donors,

such as ADB and the European Union, in association with relevant regional integration arrangements, notably CIS and ECO, can set up a technical assistance programme to help promote effective integration in Central Asia.

D. Need for a strong private sector

70. **The private sector is generally weak in the CIS countries where the Governments continue to play a dominant role in the transport sector. Railways, airways, waterways and inland ports in all five Central Asian landlocked developing countries are State-operated. The private sector is active in the road transport sector, which, however, is dominated by foreign (predominantly Russian and Azerbaijani) companies and operators. The private sector can play a greater role not only in freight operation, but also in the provision of support services relating to the railways, airways and inland water transport subsectors.**

71. **A strong private sector is a good indicator of a healthy business environment. It gives domestic and foreign capital owners incentive and confidence to invest in the economy. Since foreign investors sometimes prefer joint ventures with domestic operators, the level and performance of domestic private investment are conditions for foreign direct investment flows.**

72. **The private sector is making some progress in the Central Asian landlocked developing countries. In Kazakhstan, private insurance companies are emerging. In addition, legislation has been introduced recently to allow private operation of rail freight. Private forwarding companies are also being established in Kazakhstan, Uzbekistan and Azerbaijan. Those trends and other related efforts should be encouraged. Professional bodies or associations, such as national road trucker associations, should be promoted to give the private sector the capacity to negotiate efficiently with Governments and other institutions. The existence of civil associations will also facilitate the flow of information and help deter some illegal practices. To have a greater impact region-wide, national associations should not function in isolation, but should rather form regional networks capable of defending the interests of the private sector. The donor community can help promote and empower the private sector, notably through actions involving non-governmental organizations and civil society.**

Notes

[1] The World Bank has classified Kyrgyzstan and Tajikistan among severely indebted countries and Turkmenistan and Uzbekistan among moderately indebted countries.

[2] Martin Lentsch and Hirohoto Toda. *Transit Transport Issues of Landlocked and Transit Developing Countries: The Case Study of Kazakhstan and Uzbekistan*, ESCAP, 2003, p. 10.

[3] TRACECA is supported by the World Bank and the European Bank for Reconstruction and Development.

[4] SPECA includes five the Central Asian landlocked developing countries and Azerbaijan.

[5] Eva Molnar and Lauri Ojada. *Transport and Trade Facilitation Issues in the CIS 7, Kazakhstan and Turkmenistan*, World Bank, 2003, p. 9.

[6] Ibid.